



Recreation, Parks and Cultural Activities

Financial Policies and Procedures

Resource Allocation Philosophy, Cost Recovery Model and Policy

Recreation, Parks and Cultural Activities Department

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Summary

The department is tasked with cost recovery goals in accordance with the City's annual budget allocation and financial constraints. To that end, the department sets fees and charges in relation to these goals, market conditions, benchmarking, demand, cost recovery targets, and industry trends. A financial assistance policy and process was also developed to allow for maximum resident participation in City Programs and to ensure that no one has a barrier to participation.

Cost Recovery Policy

Recreation, Parks and Cultural Activities Department offers services that are funded through a combination of user fees, taxes, grants, and donations. Fees and charges shall be assessed in an equitable manner in accordance with the following fee and charge assessment schedule. Through a special initiative, services that provide recreational opportunities for populations with the fewest recreational alternatives (youth, limited income, senior adults, and families) may be more heavily supported by grants, donations, or property taxes than user fees to ensure that the population is well served by Recreation, Parks and Cultural Activities programs. Percentages shall be considered as guidelines; however, special circumstances, the nature and cost of each program, and persons to be served should be taken into consideration.

Process

- The Recreation, Parks and Cultural Activities shall conduct an annual comprehensive review of cost recovery targets.
- Programs will be sorted and assigned a cost recovery tier using the Pyramid Methodology annually.
- A Fee Structure/Rate review will be done annually to determine viability of programs.
- Programs plans are developed and approved with fees set within the tier cost recovery target minimum.
- The Department's Fiscal Year fee schedule will be included each year as part of the annual budget submittal.

City of Alexandria's Cost Recovery Model

The following model represents all categories of services currently provided or those which may be provided in the future by the Department. It is based upon the degree of benefit to the community (Tier 1 (low end of the pyramid – Mostly Community Benefit) or individual (Tier 5 (Top of the pyramid) – Mostly Individual Benefit); the values of the Alexandria community; and the vision and mission of the Recreation, Parks and Cultural Activities Department. This model and policy forms the basis for setting fees and charges (see Final Cost Recovery Model, Resource Allocation Philosophy, and Policy Document dated January 1, 2013).

Services can always perform better than the target tier minimum cost recovery goals due to demand and market conditions.

- a. **Tier 5 and Tier 4** Programs and services that have a high individual benefit and should incur no subsidy. Our Tier 4 and 5 programs are revenue positive over direct costs
Tier 5 services are targeted to recover a minimum of **175%** of direct costs,
Tier 4 targeted at **125%** of direct costs
 - Concession/Vending
 - Merchandise
 - Private/Semi-Private Lessons
 - Rentals/Exclusive Use – Private
 - Organized Parties
 - Permitted Services
 - Classes, Programs, Workshops, and Clinics – Advanced
 - Tenant Leases
 - Equipment Rentals
 - Trips
 - Specialized Activities/Camps
 - Drop-in Childcare/Babysitting
 - Professional Services
- b. **Tier 3** Programs and Services provide a balance of community and individual benefit. Primarily fee supported services with little or no tax investment (as an average, **Tier 3** services are targeted to recover a minimum of **50%** of direct costs, and some of these services may be appropriate for use of alternative funding sources like grants, donations, and volunteers)
 - Classes and Programs – Intermediate
 - Tournaments and Leagues – Adult (100% cost recovery to support youth)
 - Rentals/Exclusive Use – Government
 - Tournaments and Leagues – Youth (50% cost recovery)
 - Work Study/Internship/Community Service Program
 - Social Affinity Groups
- c. **Tier 2** Services are programs and services with a primary community benefit, and a substantial tax investment with minimal to partial fee support (as an average, **Tier 2** services are targeted to recover a minimum of **20%** of direct costs, and many of these services may be appropriate for use of alternative funding sources like grants, donations, and volunteers)
 - Monitored Park/Facility Usage
 - Classes and Programs – Beginning/Multi-Ability

- Rentals/Exclusive Use – Affiliates/Grantees
 - Community-wide Events
 - Preschool
 - Out-of-School-Time Program/Summer Camps
 - Volunteer Program
 - Arts Grant Program
 - Therapeutic/Adaptive/Special Recreation
- e. **Tier 1** programs and services are completely community benefit. Full tax investment with little or no fee support (**Tier 1** services are targeted to recover **0%** of direct costs, although some of these services may be appropriate for use of alternative funding sources like grants, donations, and volunteers)
- Non-Monitored Park/Facility Usage
 - Inclusionary Services
 - Support Services

Cost of Services

The following general definitions will be used to determine the cost of providing all services.

Direct Cost: Includes all of the specific, identifiable expenses (fixed and variable) associated with providing a service, program, or facility. These expenses would not exist without the program or service and often increase exponentially.

Indirect Cost: Encompasses overhead (fixed and variable) including the administrative costs of the agency. These costs would exist without any of the specific programs or facilities.